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UNCLAS SECTION 01 OF 07 SEOUL 000456

SIPDIS

E.O. 12958: N/A  
TAGS: [PREL](#) [PGOV](#) [MARR](#) [ECON](#) [KPAO](#) [KS](#) [US](#)  
SUBJECT: SEOUL - PRESS BULLETIN; March 23, 2009

TOP HEADLINES

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Chosun Ilbo  
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DOMESTIC DEVELOPMENTS

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An ROK military source said that two U.S. warships, initially  
deployed for the U.S.-ROK joint military exercises, will remain in  
waters near the Korean Peninsula in preparation for the suspected  
long-range missile launch by North Korea next month. (All)

Gen. Walter Sharp said at a hearing of the Senate Armed Services  
Committee on March 19, "USFK still faces challenges with  
insufficient training range capacity and capability needed to  
maintain the readiness of our air forces in Korea." (Dong-a, Voice  
of People)

## INTERNATIONAL NEWS

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North Korea officially confirmed through its Korean Central News Agency report that it was investigating two Americans it detained on March 17 for "illegally intruding into its territory," allegedly after crossing the border from China. (JoongAng, Seoul, Segye, All TVs) As North Korea seeks to gain as much as possible from this incident, the negotiations for the release of the two journalists could be prolonged. (Dong-a) The U.S. reportedly has an intention to hold "high-level talks" with North Korea for the swift release of the two journalists. (Hankyoreh)

A Beijing source on North Korea said on March 22 that North Korean leader Kim Jong-il officially invited Chinese President Hu Jintao to Pyongyang through North Korean Premier Kim Yong-il, who recently visited China. (JoongAng)

Executive Director of the Nautilus Institute in San Francisco Peter Hayes said in a March 21 interview with Dong-a Ilbo that "North Korea is 'yelling' to seek engagement with the world as an equal negotiating partner," adding that all of Pyongyang's recent actions can be understood in this context. (Dong-a)

The Japanese Ministry of Land, Infrastructure, Transport and Tourism said on March 21 that North Korea informed the International Civil

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Aviation Organization that it will close two of its air routes from April 4-8 for its planned rocket launch. (Seoul, SBS)

The Heritage Foundation recommended that the USG should set a specific deadline (for the resolution of the nuclear issue) so that North Korea may not drag out the nuclear talks. (Segye)

## MEDIA ANALYSIS

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-North Korea

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All newspapers quoted an ROK military source as saying on March 22 that two U.S. warships, initially deployed for the U.S.-ROK joint military exercise, will remain in waters near the Korean Peninsula in preparation for the suspected long-range missile launch by North Korea next month.

Right-of-center JoongAng Ilbo said in its inside-page analysis report that North Korea's rejection of U.S. food aid is a prompt offensive aimed at neutralizing U.S. sanctions which are expected to come after the North's missile launch. The daily also said that North Korea is using the detention of U.S. journalists to draw more attention to its incoming missile launch.

Conservative Dong-a Ilbo carried its March 21 interview with Peter Hayes, Executive Director of the Nautilus Institute in San Francisco. During the interview, Hayes said "North Korea is 'yelling' to seek engagement with the world as an equal negotiating partner," adding that all of Pyongyang's recent moves, including its rejection of U.S. food aid and detention of U.S. journalists, can be understood in this context.

Conservative Segye Ilbo reported that the Heritage Foundation recommended that the USG should set a specific deadline (for the resolution of the nuclear issue) so that North Korea may not drag out the nuclear talks.

Moderate Seoul Shinmun reported that according to the Japanese Ministry of Land, Infrastructure, Transport and Tourism, North Korea informed the International Civil Aviation Organization on March 21 that it will close two of its air routes from April 4-8 for its planned rocket launch.

All newspapers reported on Saturday that the ROK will consider joining fully the U.S.-led Proliferation Security Initiative (PSI) if North Korea either launches a rocket or test-fires a long-range missile. Moderate Hankook Ilbo editorialized on Monday: "The ROK should be careful about its full participation in the Proliferation Security Initiative (PSI) because it may complicate inter-Korean relations further." Left-leaning Hankyoreh Shinmun went further, stating that "It is undeniable that the ROK's full participation in the PSI will only increase the possibility of military conflicts (between the two Koreas)... Therefore, the ROK must reconsider its full participation in the PSI."

#### -Detained U.S. Journalists

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All major newspapers reported that North Korea officially confirmed through its Korean Central News Agency report that it was investigating two Americans it detained on March 17 for "illegally intruding into its territory," allegedly after crossing the border from China. Dong-a Ilbo said that as North Korea seeks to gain as much as possible from this incident, the negotiations for the release of the two journalists could be prolonged.

Hankyoreh Shinmun said that the U.S. may intend to hold "high-level talks" with North Korea, involving U.S. Special Representative for North Korea Policy Bosworth, for the swift release of the two journalists.

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Hankook Ilbo editorialized on Saturday: "If this incident (the detention of U.S. journalists) is successfully resolved, it could make a breakthrough in the U.S.-North Korea relations and improve the image of the North not only in the U.S. but also in the international community. If trust is built this way, it will be easy to manage tension after the North's launch of the Kwangmyongsong-2 satellite, and it will also lead to the early resumption of the Six-Party Talks and the normalization of diplomatic ties between the U.S. and North Korea. We hope that the North will not miss this golden opportunity."

#### -G20 Summit

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Professor of international politics at Seoul National University Yoon Young-gwan observed in JoongAng Ilbo that: "The key to the success of the G20 Summit in London is to coordinate differences between the U.S., which argues for the expansion of fiscal spending, and Europe, which says that financial reform should come first."

#### OPINIONS/EDITORIALS

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This is Not the Time to Talk about PSI Participation  
(Hankook Ilbo, March 23, 2009, Page 35)

North Korea restored the military communication channel that it shut off during the U.S-ROK 'Key Resolve' joint military exercises and lifted border restrictions. Also, the North allowed South Korean people to depart to and from the Kaesong Industrial Complex. Intensified tensions between North Korea and the ROK will unlikely abate quickly, however. Moreover, should North Korea go ahead between April 4 and 8 with its planned missile launch, it would plunge the Korean Peninsula into turmoil.

Against this backdrop, the ROK's full participation in the U.S.-led Proliferation Security Initiative (PSI) would further strain inter-Korean relations. Foreign Minister Yu Myung-hwan said last week that if North Korea launches a missile, this would compel the ROK to review its full participation in the PSI. It is not unreasonable to argue that the ROK should no longer postpone its full participation in the PSI which involves 94 countries, since non-proliferation of mass destruction weapons has been emerging as a significant issue in the international community.

However, it is not desirable to pursue only a general logic (that

might apply) for the international community without considering the specific conditions of the Korean Peninsula. The former ROK government participated in only 5 of 8 areas of the PSI program which began (in 2003) under the Bush Administration. The ROK Government avoided fully participating because of concerns over North Korea's opposition and (the perceived) risks of armed clash.

If North Korea pushes ahead with a missile launch despite stern warnings from the international community, it certainly should pay for what it does. But it is not wise for the ROK to decide to participate fully in the PSI, going beyond countermeasures (authorized) by the U.N. The ROK together with Japan recently co-sponsored a resolution on North Korean human rights which it submitted to the 10th U.N. Human Rights Council. The ROK carefully should contemplate what effects and consequences these series of hard-line responses will bring. The ROK has no reason to provoke North Korea, especially with the North already railing against PSI, warning that PSI participation by the ROK could set off a war on the Korean Peninsula.

Calamity of Full Participation in PSI  
(Hankyoreh Shinmun, March 23, 2009, Page 23)

President Lee Myung-bak's administration is considering full participation in the United States-led Proliferation Security Initiative (PSI) as a response to North Korea's intended launch

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announcement. "A North Korean missile firing signals that it is time for us to consider participation in PSI," said Foreign Minister Yu Myung-hwan just days ago. "With roughly eighty nations around the world participating in an international agreement designed to prevent the proliferation of weapons of mass destruction, it was getting hard to explain to the international community why we, a country that should be most concerned about the issue, was not participating," said another high-ranking administration official under the condition of anonymity. "The argument that a missile firing should be reason for full participation is gaining strength within the administration." Given these statements, the Lee Administration has all but declared formally that it will join as a full participant in PSI the moment North Korea launches its satellite.

South Korea to date has been merely an "observer" to PSI in only five of eight areas, out of consideration for relations with the US, China, and North Korea. Up to now Korea completely restricted itself from three other programs under PSI: official participation in training maneuvers; material support for interdiction exercises within a jurisdiction and material support for interdiction outside a jurisdiction.

By the looks of it, the Lee Administration pulled full participation in PSI out of its bag of tricks to demonstrate that it will not let North Korea's "bad behavior" go without a response. However, it is quite probable the move will only exacerbate problems and deliver no benefits. Administration officials say that since actions can be taken only within one's territorial waters, full participation would still not create any problems as long as the North moves in international waters. However, officials are in no position to deny that there would be a greater risk of an armed clash, and North Korea is already saying PSI is "a fuse that could bring flame clouds of war over the Korean peninsula."

The Obama Administration is not even finished reviewing U.S. policy towards North Korea, let alone its leadership of PSI. But as seen through the U.S.'s recent changes in policy towards Iran, it is quite likely policy towards North Korea could turn towards dialogue, regardless of whether the North fires a missile. If the Lee Administration gets ahead of itself, it could exacerbate the "isolation of South Korea" and the North's approach of "closing up to the South and opening up to the Americans" (tong mi bong nam). The fact that China, which holds the Chairmanship of the Six-Party Talks, is also very negative about PSI will also be a burden for the Lee Administration, as it tries to resolve the North Korean nuclear

issue through the Six Party process.

In conclusion, the Lee Administration should stop thinking about Korea's full participation in PSI since it will have a negative influence on South Korea and promises uncertain benefits.

Bernanke Taking Extreme Step of Buying Long-term Treasury Bonds  
(JoongAng Ilbo, March 23, 2009, Page 46)

Federal Reserve Board (FRB) Chairman Bernanke announced last week that the FRB would buy back long-term Treasury bonds. This has rocked the world market. The dollar's value fell steeply and prices of gold and international raw materials surged. This step by the FRB is a last-ditch effort to revive the (U.S.'s) flagging economy. The Fed's action will surely lead to low interest rates but will also entail inflation. The world market sees this as a signal that the U.S. is abandoning its long-held strong dollar policy to stimulate its economy.

This U.S. policy is a gamble. It brought a sharp fall in the interest rates for U.S. Treasury bonds but also produced the side effect of a weak dollar. The U.S. trade deficit is estimated to stand at 1.7 trillion dollars. Last year, the U.S. recorded a 600 billion dollar trade deficit. These 'twin deficits' can be made up when 6.3 trillion dollars flow in from overseas every day. However, who would make an investment in dollar assets? This change in the flow of money will inevitably trigger upheaval in the world economy.

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Ominously, in January, 148 billion dollars already flew out of the U.S.

The Obama Administration's series of policies seem to be reminiscent of Japan's 'lost decade.' Japan wasted time without liquidating poor-performing financial companies. Now, ailing U.S. financial companies keep receiving public funds.

To overcome these problems, the international community should bolster cooperation. Cash-rich countries such as China, Japan and oil-producing countries should keep investing in the U.S. even at risk of their losses. While these efforts shore up the dollar's value, the U.S. economy may turn around. However, such chances are slim. China called on the U.S. to guarantee safety of its assets invested in the U.S. Meanwhile, Middle East countries show signs of halting their investment in the U.S.

The ROK should prepare against a worst scenario. A plunge in the dollar's value will hinder the recovery of the world economy, potentially prompting serious inflation. The world as a whole may undergo super-stagflation for the first time. There are pessimistic views that the dollar as a key currency may topple. (On the positive side,) a weak dollar may decrease the chance that the ROK suffers a foreign currency crisis. However, the ROK economy, which is heavily dependent on the foreign economy, will be hit hard if the world market flounders again. Unfortunately, it seems that time is approaching for us to face a 'sink-or-swim' choice.

Don't Push That Button  
(JoongAng Ilbo, March 21, 2009, Page 34)

South Korea's consideration to become a full-fledged member of the U.S.-led anti-proliferation treaty to counter the persistent missile and nuclear threat from the North has rekindled a fierce debate.

First, the act could provoke North Korea. Once South Korea becomes a full member of the Proliferation Security Initiative, or PSI, South Korea will have to take an active part in sea surveillance of North Korea's trade in weapons of mass destruction.

Our society has been divided and hesitant on officially taking part in the PSI framework for fear of the potential consequences. But if the North goes ahead with its plan to shoot off what it calls a "satellite," suspected to be a long-range missile test, sentiment could still unite against it. Seoul joining the PSI will likely

garner greater support if opinion favors a more aggressive position against Pyongyang.

The consequences of a possible North Korean missile launch and of the South becoming a PSI member are a grave concern. Officials in Pyongyang should seriously consider their options before pushing the button.

The South has already laid the PSI card on the table. Defense Minister Lee Sang-hee last month said the time has come for South Korea to review joining the PSI since North Korea was continuing with its missile and nuclear development. Foreign Minister Yu Myung-hwan also said if North Korea proceeds with the missile launch, it will provoke fears of proliferation and pave the way for South Korea's consideration of the PSI option.

Already 94 countries worldwide take part in the campaign to stop the development of weapons of mass destruction. But even with the North's nuclear ambition, we have so far refrained from taking an active role. South Korea, as an observer, has been participating in just five PSI activities.

Full membership could translate into a potential inter-Korean sea clash or provoke the North to irreversibly unbalance the tightrope walk that is the relationship between the two Koreas.

But the North leaves the South with little option if it goes on with the missile launch despite international warnings. Pyongyang has

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been testing Seoul's patience by opening and closing the Kaesong Industrial Complex as it pleases.

Entrance to the joint industrial site was impaired yesterday even after the Korea-U.S. joint military drills ended. North Korea should not be so foolish as to wipe out what's left of South Korea's patience with the missile launch. That would be a provocation capable of putting the entire Korean Peninsula in jeopardy.

(This is a translation provided by the newspaper, and it is identical to the Korean version.)

#### FEATURES

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Ambassador Stephens: U.S. is Contacting North Korea Through Various Channels  
(Hankyoreh Shinmun, March 21, 2009, Page 2)

Gore requests assistance from Secretary of State Clinton

U.S. Ambassador to the ROK Kathleen Stephens said on March 20 that the U.S. government is trying to identify what exactly happened to the two U.S. journalists detained by North Korea and under what conditions they are being held. She added that the U.S. Department of State has no higher priority than the safety of U.S. citizens overseas.

Ambassador Stephens told reporters after giving a lecture to the Korean Council on Foreign Relations that Washington, through the Swedish Embassy in Pyongyang is working (for the release of the detainees). She noted that related diplomats are collecting information through various methods including counterpart contacts.

On March 20, CNN quoted a high-ranking official of the U.S. Administration who stated that former Vice President Al Gore, a co-founder of Current TV - the network for which the detained journalists work -- requested Secretary of State Hillary Clinton's assistance (in securing the journalists' release). The official said that Secretary Clinton is closely watching this incident develop. The official also hinted that the U.S. government is paying special attention to the unexpected incident, which broke out amid heightened tensions between the U.S. and North Korea due to the U.S.-ROK joint military drills, 'Key Resolve' and the North's

announcement of its planned satellite launch.

1N. Korea 'Yelling' to Seek Equal Footing in Talks  
(Dong-a Ilbo, March 23, 2009, Page 8)

By Reporter Lee Jeong-eun

An American expert on North Korea says North Korea is "yelling" to seek engagement with the world as equal negotiating partner, adding all of Pyongyang's recent moves can be understood in this context.

Peter Hayes, executive director of the Nautilus Institute in San Francisco, told Dong-A Ilbo in an interview Saturday that "The North is doing preparatory work to get what it wants," referring to the North's preparation for a missile launch, rejection of U.S. food aid, and the detention of two American journalists.

Nautilus has participated in energy aid projects to the North since 11992. Hayes recently visited South Korea to prepare for the establishment of a Nautilus branch in Seoul and give a lecture at the Graduate School of North Korean Studies.

"Considering past precedents, it might take at least one to two weeks or several months for the two American journalists detained by Pyongyang to be released," he said. "The incident is too small to have a major impact on North Korea-U.S. relations at this point."

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On the North's rejection of American food aid and forcing out of international relief workers, Hayes said, "The North intends to send a clear signal to the Obama Administration that Pyongyang is not a regime that implores the international community for food aid, and that food is a separate issue from the North Korean nuclear program."

"The North's move entails too much cost from the humanitarian perspective. It is really sad for Pyongyang to make such a decision."

On the North's announcement of a purported missile launch, he said, "If a tough regime like Pyongyang makes such preparations in the military aspect, it is really difficult to block them in the interim."

Authorities can easily confirm if the projectile the North plans to fire is a missile or a communications satellite through analysis of the angle and direction of the rocket and technology applied, he said.

"The technological gap used in a missile and a communication satellite is as huge as the difference between a high-speed train and a bicycle," Hayes said. "Whether Pyongyang's claim is true or not will be revealed instantly."

On the Obama Administration's North Korea policy, he said, "Since the U.S. has so many urgent diplomatic agenda items, Washington cannot continue to show patience for long."

"In times of change to come, North Korea might see an opportunity and must not miss the chance as it did during the Clinton Administration."

Hayes said the North should note growing pessimism in Washington about a reconciliatory North Korea policy.

He said, however, "Considering the Obama Administration's realism, things can be resolved promptly if conditions are met. If the North gives up its nuclear weapons and keeps its promises with the international community, a North Korea-U.S. summit could take place within four years."

On whether the North can give up nuclear weapons then, Hayes said, "It will be very difficult but not totally impossible."

The North has been using nuclear weapons as a bargaining chip, but they have been gradually changed by the Kim Jong-il Government into a means to sustain the communist regime's legitimacy amid its dispute with the Bush Administration, he said. The cost which will need to be incurred for the North to abandon nuclear weapons has also increased as well.

If Washington and other major governments treat Pyongyang as a sincere negotiating partner, however, the North will no longer need to seek recognition through nuclear weapons, Hayes said.

"Considering Pyongyang's psyche, if it shuts off all dialogue channels, it really intends to go to war, but despite a flurry of recent announcements, it is keeping diplomatic dialogue channels open," he said. "After all, Pyongyang is ready to be engaged by the international community."

"Since opportunities still remain, the future direction of North Korean issues is up to Pyongyang."

(This is a translation provided by the newspaper, and it is identical t

STEPHENS